

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

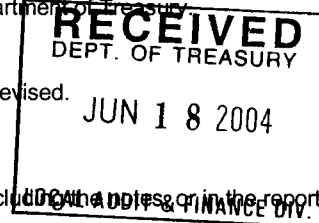
Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Springport/Clarence Regional Fire Board</b>	County <b>Jackson</b>
Audit Date <b>2/29/04</b>	Opinion Date <b>5/19/04</b>	Date Accountant Report Submitted to State: <b>6/25/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the audit report of comments and recommendations.



You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Markowski &amp; Company, CPA's</b>			
Street Address <b>2880 Spring Arbor Road</b>	City <b>Jackson</b>	State <b>MI</b>	ZIP <b>49203</b>
Accountant Signature 		Date	

# MARKOWSKI & COMPANY

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DOUGLAS E. ATKINS, C.P.A.

**MEMBERS:**  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTS  
ESTATE PLANNING COUNCIL  
OF SOUTH CENTRAL MICHIGAN

## COMMUNICATION OF AUDITOR/CLIENT RESPONSIBILITIES

Board of Trustees  
Springport/Clarence Regional Fire Board

We have audited the general purpose financial statements of the Springport/Clarence Regional Fire Board for the year ended February 29, 2004, and have issued our report thereon dated May 19, 2004. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility under Generally Accepted Auditing Standards**

As stated in our engagement letter dated April 28, 2004 our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable but not absolute, assurance that the general purpose financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the Springport/Clarence Regional Fire Board. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

### **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Springport/Clarence Regional Fire Board are described in Note 1 to the general purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year.

We noted no transactions entered into by the Springport/Clarence Regional Fire Board during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the general purpose financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the general purpose financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

### **Significant Audit Adjustments**

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Springport/Clarence Regional Fire Board that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed no audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the Springport/Clarence Regional Fire Board's financial reporting process.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the general purpose financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's general purpose financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Springport/Clarence Regional Fire Board's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

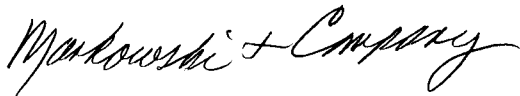
**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit. We were especially pleased with the cooperation of the treasurer, Sheryl Proteau.

We did note certain items which we believe warrant some attention from the Board. These can be found in the attached Accounting Memorandum.

This information is intended solely for the use of the Board of Trustees and should not be used for any other purpose. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

A handwritten signature in cursive script that reads "Markowski & Company".

**MARKOWSKI & COMPANY CPAs**

May 19, 2004

**SPRINGPORT/CLARENCE REGIONAL FIRE BOARD**

**FINANCIAL STATEMENTS**

**FEBRUARY 29, 2004**

**SPRINGPORT/CLARENCE REGIONAL FIRE BOARD**

**TABLE OF CONTENTS**

	<u>PAGE NUMBER</u>
INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF ASSETS, LIABILITIES, AND EQUITY – CASH BASIS ALL FUNDS AND ACCOUNT GROUPS	2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – CASH BASIS – BUDGET AND ACTUAL	3
NOTES TO THE FINANCIAL STATEMENTS	4

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Springport/Clarence Regional Fire Board  
Springport, Michigan

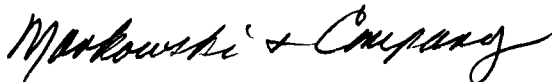
We have audited the accompanying financial statements of the **Springport/Clarence Regional Fire Board** as of February 29, 2004, and for the year then ended. These financial statements are the responsibility of the Springport/Clarence Regional Fire Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1b, the Springport/Clarence Regional Fire Board prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, because of the Board's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Springport/Clarence Regional Fire Board, as of February 29, 2004, or the results of its operations for the year then ended.

However, in our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Springport/Clarence Regional Fire Board as of February 29, 2004, and the revenue it received and expenditures it paid for the year then ended, on the basis of accounting described in Note 1b.



MARKOWSKI & COMPANY CPAs

May 19, 2004

**SPRINGPORT/CLARENCE FIRE BOARD**  
**STATEMENT OF ASSETS, LIABILITIES AND EQUITY - CASH BASIS**  
**ALL FUNDS AND ACCOUNT GROUPS**  
**FEBRUARY 29, 2004**

	GOVERNMENTAL FUND GENERAL	ACCOUNT GROUP GENERAL FIXED ASSETS	TOTALS (MEMORANDUM ONLY)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 26,669	\$ -	\$ 26,669
PROPERTY AND EQUIPMENT	-	383,922	383,922
TOTAL ASSETS	\$ 26,669	\$ 383,922	\$ 410,591
FUND EQUITY			
INVESTMENT IN GENERAL FIXED ASSETS	\$ -	\$ 383,922	\$ 383,922
FUND BALANCE - Unreserved	26,669	-	26,669
TOTAL FUND EQUITY	\$ 26,669	\$ 383,922	\$ 410,591

The accompanying notes are an integral part of the financial statements.

**SPRINGPORT/CLARENCE FIRE BOARD**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
CASH BASIS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED FEBRUARY 29, 2004

	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
Contributions from Local Units	\$ 40,700	\$ 42,550	\$ 1,850
Fire and Rescue Runs	77,500	77,950	450
Interest earned	250	186	(64)
Other	1,300	5	(1,295)
Total revenues	119,750	120,691	941
EXPENDITURES:			
Officer's salary	8,400	7,296	1,104
Incident wages	29,500	34,036	(4,536)
Training wages	6,000	9,105	(3,105)
Administrative salary	3,800	150	3,650
Social security	3,500	3,859	(359)
Repairs and maintenance	11,200	11,832	(632)
Gasoline	1,200	1,352	(152)
Professional services	2,000	850	1,150
Office supplies	1,000	621	379
Supplies	-	380	(380)
Miscellaneous	400	1,873	(1,473)
Utilities	5,000	5,279	(279)
Rent	4,800	6,001	(1,201)
Training	7,000	6,774	226
Insurance	23,300	25,857	(2,557)
Contingency	2,650	-	2,650
Total current expenditures	109,750	115,265	(5,515)
Capital outlay	10,000	7,374	2,626
Total expenditures	119,750	122,639	(2,889)
EXCESS OF REVENUE OVER EXPENDITURES	-	(1,948)	(1,948)
FUND BALANCE - March 1, 2003	28,617	28,617	-
FUND BALANCE - February 29, 2004	\$ 28,617	\$ 26,669	\$ (1,948)

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

**SPRINGPORT/CLARENCE REGIONAL FIRE BOARD**  
**INDEX TO NOTES TO THE FINANCIAL STATEMENTS**

	<u>PAGE NUMBER</u>
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:	
A Description of Organization's Operations	4
B Basis of Accounting	4
C Budget and Budgetary Accounting	4
D Fixed Assets	4
E Fund Equity	4
F Total Columns on Combined Statements – Overview	5
G Estimates	5
H Risk Financing	5
NOTE 2 – CASH	5
NOTE 3 – PROPERTY, PLANT AND EQUIPMENT	6
NOTE 4 – LEASE COMMITMENTS	6
NOTE 5 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY	6

**SPRINGPORT/CLARENCE REGIONAL FIRE BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**A. Description of Organization's Operations:**

The Springport Regional Fire Board was formed October 12, 1976 under an agreement between the Village of Springport, Springport Township and Clarence Township. The purpose of the agreement was to organize a fire department with sufficient equipment to provide fire protection to the Village of Springport, Springport Township and Clarence Township. In September 2003, the Village of Springport withdrew its participation from the Regional Fire Board. The remaining two Townships agreed to continue the fire department, drafting new by-laws and renaming it the Springport/Clarence Regional Fire Board.

**B. Basis of Accounting:**

The financial statements of the Fire Board are prepared on the cash basis method of accounting. Revenue is recognized when cash is received and expenditures are recognized when cash is paid out.

**C. Budget and Budgetary Accounting:**

Formal budgetary integration is employed as a management control device during the year for the General Fund. This budget was adopted on a cash basis consistent with the Fire Board's financial reporting. The budget can be amended by a majority vote of the Fire Board.

**D. Fixed Assets:**

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group.

Property, plant, and equipment acquired or constructed for general governmental operations are recorded as expenditures in the fund making the expenditure and capitalized at cost in the General Fixed Assets Account Group.

Property, plant, and equipment is stated at cost. Where cost could not be determined from the available records, the insured value was used to record the estimated value of assets. Assets acquired by gift or bequests are recorded at their fair market value at the date of transfer.

**E. Fund Equity:**

The unreserved fund balances for governmental funds represent the amount available for financing future operations.

**SPRINGPORT/CLARENCE REGIONAL FIRE BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**F. Total Columns on Combined Statements – Overview:**

Total Columns on the Combined Statements – Overview are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**G. Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**H. Risk Financing:**

The Fire Board is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the year.

**NOTE 2 – CASH:**

The Board's Treasurer is authorized by state law and a resolution from the Board of Trustees to invest surplus funds as follows:

Certificates of deposit, savings accounts, deposit accounts or depository receipts of a federally insured bank or credit union, but only if the bank, or credit union meets all criteria as a depository of public funds contained in state law.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Township's cash and cash equivalents are as follows:

<u>CASH AND INVESTMENTS</u>	<u>CARRYING AMOUNT</u>	<u>BANK BALANCE</u>
Insured (FDIC)	\$ 26,669	\$ 33,745
Uninsured	-	-
	<u>\$ 26,669</u>	<u>\$ 33,745</u>

**SPRINGPORT/CLARENCE REGIONAL FIRE BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 3 – PROPERTY, PLANT AND EQUIPMENT:**

Activity for general fixed assets which are capitalized by the Fire Board is summarized below:

	BALANCE 03/01/03	ADDITIONS	DELETIONS	BALANCE 02/29/04
Machinery & equipment	\$ 129,548	\$ 7,374	\$ -	\$ 136,922
Vehicles	247,000	-	-	247,000
Total	<u>\$ 376,548</u>	<u>\$ 7,374</u>	<u>\$ -</u>	<u>\$ 383,922</u>

**NOTE 4 – LEASE COMMITMENTS:**

The Fire Board has an operating lease with the Village of Springport for its fire station. Rent for the year ended February 29, 2004 was \$6,001. In September 2003 the Village and Fire Board modified the rental agreement. Rent will now be for \$1 annually.

**NOTE 5 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:**

**BUDGET VIOLATIONS:**

Public Act #621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Fire Board's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Board for these funds were adopted to the activity level. For the year ended February 29, 2004 the Board incurred expenditures which were in excess of the amounts appropriated. These variances are as follows:

	BUDGET	ACTUAL	VARIANCE
Incident wages	\$ 29,500	\$ 34,036	\$ (4,536)
Training wages	6,000	9,105	(3,105)
Social security	3,500	3,859	(359)
Repairs and maintenance	11,200	11,832	(632)
Gasoline	1,200	1,352	(152)
Supplies	-	380	(380)
Miscellaneous	400	1,873	(1,473)
Utilities	5,000	5,279	(279)
Rent	4,800	6,001	(1,201)
Insurance	23,300	25,857	(2,557)

**ACCOUNTING MEMORANDUM  
COMMENTS AND RECOMMENDATIONS  
FOR THE YEAR ENDED FEBRUARY 29, 2004**

**SEGREGATION OF DUTIES**

Because the Springport/Clarence Regional Fire Board's administrative staff consists of one person, proper segregation of duties cannot be accomplished. This is an inherent weakness in the internal controls of the Springport/Clarence Regional Fire Board.

To counter this weakness, the Board needs to be more involved in financial activities. Approval of bills for payment should take place at each meeting. A copy of the treasurer's report should be attached to the minutes, which indicates the bills to be paid. After Board members have given approval and reviewed the treasurer's report it should be documented in the minutes. Board policy should also establish authority for the Treasurer to pay certain bills, such as utilities, prior to Board meetings. Supporting documentation (invoices, pay sheets, etc.) should be available at the meeting for review.

**EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. As detailed in Note 5 of the financial statements the Board incurred expenditures in excess of amounts appropriated. We recommend that the Board continue to monitor and amend the budget as necessary.

**GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board (GASB) has issued new standards for financial reporting. These guidelines must be implemented by the Fire Board during its 2004/05 fiscal year. The major difference to the financial records will be the creation of accounts payable and accounts receivable, if any exist. The board will also be required to capitalize and depreciate fixed assets. The audit report will also include a required section – Management Discussion and Analysis. This will be prepared by a member of the Board (presumably by the Treasurer), and includes an analysis of the financial activities of the Springport/Clarence Regional Fire Board. Examples are available to assist in drafting this section of the report.

We would suggest that the Chief's August 2003 physical inventory of the fixed assets be updated during the year. At the end of the year a listing of receivables (amounts due from the Townships for runs, whether billed or unbilled) and liabilities (including wages earned but not yet paid) will need to be prepared as of February 28, 2005.